

TESTIMONY BEFORE THE UNITED STATES CONGRESS
ON BEHALF OF THE

NATIONAL FEDERATION OF INDEPENDENT BUSINESS



Statement for the Record of Holly Wade
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Before the

**United States House Committee on Education and the Workforce
Subcommittee on Health, Employment, Labor, and Pensions**

**[Hearing on: "ERISA's 50th Anniversary: The Value of
Employer-Sponsored Health Benefits"](#)**

Tuesday, September 10, 2024

National Federation of Independent Business
555 12th Street, NW Suite 1001
Washington, DC 20004

Dear Chair Good, Ranking Member DeSaulnier, and distinguished Members of the Subcommittee on Health, Employment, Labor, and Pensions, my name is Holly Wade, and I serve as the Executive Director of the National Federation of Independent Business (NFIB) Research Center.

On behalf of NFIB, I appreciate the opportunity to testify before the House Committee on Education and the Workforce Subcommittee on Health, Employment, Labor, and Pensions hearing entitled, "ERISA's 50th Anniversary: The Value of Employer-Sponsored Health Benefits."

NFIB is the nation's leading small business advocacy association, representing members in Washington, D.C., and all 50 state capitals. Founded in 1943 as a nonprofit, nonpartisan organization, NFIB's mission is to promote and protect the right of its members to own, operate, and grow their businesses. NFIB proudly represents approximately 300,000 members nationwide from every industry and sector.

The NFIB Research Center promotes a greater understanding of small businesses and the conditions that impact them. The Center produces and disseminates various surveys and studies on small businesses, focusing on areas related to business operations and the effects of public policy.

Small businesses are the foundation of the U.S. economy, employing nearly half (46%) of the private sector workforce and responsible for 44 percent of our gross domestic product (GDP).¹ Unfortunately, in recent years, the small business half of the U.S. economy has been significantly impacted by inflation, along with significant challenges in attracting qualified applicants for open positions. Operating a business in these conditions is particularly difficult for small business owners. Most small business owners compete for talent by offering competitive wages and attractive benefits. Employer-provided health insurance coverage is the largest source of health coverage in the U.S., covering over 160 million people.² It is the most popular but costly benefit offered by about 30 percent of small employers.³ However, escalating health insurance costs add to the inflation pressures many business owners face. These higher costs limit their ability to compete in the marketplace.

¹ Small Business Administration, Office of Advocacy, Frequently Asked Questions About Small Business, 2024. <https://advocacy.sba.gov/2024/07/23/frequently-asked-questions-about-small-business-2024/>

² <https://www.kff.org/health-policy/101-employer-sponsored-health-insurance/?entry=table-of-contents-why-is-employer-sponsored-health-insurance-so-dominant>

³ Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Insurance Component (MEPS-IC), 2023.

The relationship between small businesses and health insurance has been a long-standing challenge for small business owners whether they offer or don't offer the benefit to their employees. Health insurance is a primary benefit for many employees and job seekers, and small employers compete for talent by offering competitive compensation packages. Sixty-three percent of all employers believe that providing health insurance to recruit and retain employees is very or moderately important. Almost all (94%) of small employers find it challenging, to some degree, to manage the cost of providing employer-sponsored health insurance.⁴⁵

The cost of health insurance continues to rank as the most burdensome issue for small business owners, a ranking it's held since 1986.⁶ Currently, 41 percent of small business owners report it as a "critical" issue in operating their business. The average cost of an individual health insurance plan has increased 112 percent in the last 20 years for small employers. The average deductible for those policies has increased by 194 percent. Small businesses are not only paying significantly more for their health insurance but their deductibles are more costly also. In response to these escalating costs, the offer rate among small businesses has declined from 42 percent in 2004 to 30 percent in 2023.⁷

There is tremendous value in employer-provided coverage and in small businesses being able to provide robust, affordable health benefits to their employees. Unfortunately, almost all (98%) of small employers offering health insurance are concerned that the cost of providing health insurance to their employees will become unsustainable in the next 5-10 years. Over half of them (58%) were very concerned. The lack of insurance options and affordability issues create significant headwinds for small business owners in that most of them find the benefit important in retaining current employees and recruiting applicants for open positions. Broken down by employers who do and do not currently offer health insurance, 94 percent of owners who currently offer health insurance believe it is important, and 58 percent of owners who do not currently provide health insurance.⁸

⁵ Wade and Oldstone, 2023 Small Business Health Insurance Survey, NFIB Research Center.

<https://strgnfibcom.blob.core.windows.net/nfibcom/Health-insurance-survey-NFIB.pdf>

⁶ Wade and Oldstone, NFIB Small Business Problems and Priorities, NFIB Research Center, 2024.

<https://strgnfibcom.blob.core.windows.net/nfibcom/2024-Small-Business-Problems-Priorities.pdf>

⁷ Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, Insurance Component (MEPS-IC), 2004-2023.

⁸ Wade and Oldstone, 2023 Small Business Health Insurance Survey, NFIB Research Center.

Small business owners who do not offer health insurance are often at a competitive disadvantage in attracting talent, but they overwhelmingly cite the cost of health insurance as the main reason they do not provide the benefit. Almost two-thirds of non-offering small employers say that health insurance is too expensive for them to offer it as a benefit.

The financial burden of health insurance on small businesses is significant and growing, creating an uneven playing field between small and large companies. According to a recent JPMorganChase Institute report on health insurance costs, the median health insurance payroll burden for small firms with less than \$600,000 in annual revenues is nearly 12 percent, compared to just 7 percent for firms with revenues over \$2.4 million.⁹ The businesses that provide health insurance coverage face tough choices, having to pass the rising costs along to their customers: Nearly half of small employers (46%) report raising their prices to keep up with rising health insurance costs. To make matters worse, half of small employers (49%) now earn less due to health insurance premium increases over the last five years.¹⁰ This disparity highlights how smaller firms are disproportionately affected by rising health insurance costs.

Most small business owners offering health insurance purchase fully funded plans in the small group market. However, the small group market has experienced a sharp decline in issuer participation and overall membership, down 7.4 percent from 2022 to 2023, ending the year with 8.5 million participants.¹¹ This decline is driven primarily by the escalating costs of health insurance. As coverage options in this market decline, alternatives like those provided under the ERISA framework become vital. Recent reports point to an increase in the percentage of small firms offering health benefits through a level-funded plan, for instance.¹²

As we mark the 50th anniversary of ERISA, it's an opportune time to reflect on the role that employer-provided coverage has played in the U.S. and on small businesses. While most small firms remain fully insured, ERISA protections have been crucial in ensuring that even the smallest businesses can offer health benefits

⁹ <https://www.jpmorganchase.com/institute/all-topics/business-growth-and-entrepreneurship/small-business-health-insurance-burdens>

¹⁰ Wade and Oldstone, 2023 Small Business Health Insurance Survey, NFIB Research Center.

¹¹ <https://www.markfarrah.com/mfa-briefs/an-analysis-of-profitability-for-the-individual-and-small-group-health-insurance-markets-in-2023/> from NAIC Supplemental Health Care Exhibits (SHCE).

¹² KFF 2022 Employer Health Benefits Survey <https://www.kff.org/report-section/ehbs-2022-section-10-plan-funding/>

to their employees while having the flexibility and predictability to design benefits in a way that works best for them.

ERISA has played a vital role for half a century in ensuring robust healthcare coverage for workers in the U.S. Moving forward, ERISA should be protected and strengthened to empower more small businesses with greater coverage choices under this framework, enabling them to offer valuable benefits that will contribute to their growth, stability, and success in the U.S. economy.

We thank the Committee for its vital work this past year expanding coverage choices for small businesses under ERISA and look forward to partnering with you to continue building on this law's success.


Sample Policy Solutions to Strengthen Small Firms' Coverage Choices

Allow Small Businesses and Self-employed individuals to Band Together to Achieve Savings Through Economies of Scale.

Association Health Plans (AHPs) are one option for small businesses to offer more affordable insurance to employees. AHPs level the playing field between large employers and small businesses subject to more regulation and benefit mandates in the small group market. By pooling their resources and leveraging the purchasing power of larger groups, small businesses can reduce premiums and increase their bargaining power, resulting in health insurance at a more affordable price with better networks. Congress should enact legislation such as provisions included in H.R. 3799, the CHOICE Arrangement Act, to protect and expand small businesses' ability to participate in AHPs. Lawmakers should improve existing regulations to allow for industry-based and non-industry-based small businesses to establish an AHP, including self-employed individuals. Additionally, lawmakers should push back against rules that restrict or limit the use of AHPs.

Protect Small Businesses' Access to Stop-loss Insurance.

In many instances, self-insurance can offer employers more flexibility in designing coverage, leading to more affordable coverage. Stop-loss insurance enables self-insured employers to mitigate risks, protecting employers and employees from catastrophic losses. An increasing number of group health plan sponsors are utilizing level-funded arrangements. Thirty-eight percent of small firms reported offering health benefits through a level-funded plan in 2022. Level-funded plans provide small employers with potential cost savings, predictability, and customization. As small businesses' average premiums in the small group market

continue to increase alarmingly, self-funding can be an attractive option for small employers looking for an alternative. Policymakers should protect and expand small businesses' access to stop-loss insurance. 

Re-evaluate and Right-Size Mandates That Drive Up Premium Costs.

The ACA implemented a complicated employer mandate system called the Employer Shared Responsibility Provision. This provision requires all small businesses with 50 or more full-time employees (including “full-time equivalent” employees (FTEs)) to offer health insurance to 95% or more of their full-time employees or face significant fines.

The employer mandate presents serious challenges for small businesses. It is a one-size-fits-all approach with severe market distortive consequences and fails to account for industry revenue differences. This mandate holds back small business growth as businesses face massive changes in their operations if they get close to the 50-FTE threshold. Eliminating the mandate or raising the FTE threshold would remove an arbitrary barrier to growth. Furthermore, the mandate has proven ineffective, as only 1% of the initially projected revenue has been collected from this mandate. Congress should reform the employer mandate and, at minimum, adjust the threshold to 100 or more full-time employees to provide small firms with more room for growth, define full-time work under the mandate as 40 hours per week, and remove unnecessary, burdensome paperwork requirements.

In addition to providing employers with increased coverage choices it is essential to tackle the root causes of rising health care costs by promoting greater access to quality, affordable healthcare through innovation, transparency, and competition.

Promote Price Transparency and Price Certainty.

Small businesses support price transparency. In a recent NFIB member ballot, more than three-quarters (77%) of small business owners supported requiring insurers to provide price information for healthcare services. Small businesses can greatly benefit from greater price transparency. When healthcare providers and insurers disclose the costs of their services and treatments, small businesses can make more informed decisions about which plans and providers to choose. This enables them to negotiate better rates with insurers and avoid overpaying for healthcare services. Lawmakers must codify and strengthen the rules for hospitals, Pharmacy Benefit Managers (PBM), and insurer price transparency.

For half a century, ERISA has played a key role in empowering businesses of all sizes to offer valuable benefits that contribute to a healthy workforce and to the growth and success of the economy. To truly extend these benefits to all, small businesses and their employees must be empowered with more choices and control over their health care coverage decisions. Expanding coverage options will enable small firms to remain competitive, and more fully support their local economy.

Thank you for allowing me the opportunity to testify before you today.